



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

November 26, 1997

Santa Fe Energy Resources, Inc.
c/o James Bruce
P. O. Box 1056
Santa Fe, New Mexico 87501

Administrative Order NSL-3910(NSBHL)

Dear Mr. Bruce:

Reference is made to the following (i) your original application on behalf of the operator, Santa Fe Energy Resources, Inc. ("Santa Fe"), dated September 26, 1997; (ii) the Division's initial response to said application by letter from Mr. Michael E. Stogner dated October 27, 1997; (iii) Mr. Stogner's second response by letter dated November 12, 1997; (iii) your letter dated November 20, 1997; and, (vi) the records of the Division in Santa Fe on the subject well, Division Case 11296, and 11888: all concerning Santa Fe's request to re-enter the plugged and abandoned Cities Service Oil Company Government "N" Com Well No. 1-Y (API No. 30-025-22564), located 660 feet from the South line and 2084 feet from the West line (Unit N) of Section 19, Township 20 South, Range 34 East, NMPM, Lea County, New Mexico, in order to test the Morrow formation within a standard "stand-up" 320.28-acre gas spacing and proration unit for either the Undesignated West Lynch-Morrow Gas Pool or Undesignated Quail Ridge-Morrow Gas Pool that comprises Lots 1 through 4 and the E/2 W/2 (W/2 equivalent) of said Section 19.

It is our understanding from the Division records on this well that it was originally drilled by Cities Service Oil Company in 1968 to a total depth of 15,137 feet in order to test the Devonian formation for gas production within the standard 320.19-acre gas spacing and proration unit comprising Lots 3 and 4, the E/2 SW/4, and the SE/4 (S/2 equivalent) of said Section 19. This location was considered to be "standard" for the original lay-down 320.19-acre unit. The Devonian interval tested dry and was subsequently plugged and abandoned.

Per your application, Santa Fe, at this time, intends to re-enter the wellbore, complete in the Morrow formation, and reorient the acreage dedicated to the Government "N" Com Well No. 1-Y, to be redesignated the Topaz "19" Federal Com Well No. 1, to a standard 320.28-acre "stand-up" gas spacing and proration unit comprising Lots 1 through 4 and the E/2 W/2 (W/2 equivalent) of said Section 19 and, pursuant to the applicable rules and procedures for both the Undesignated West Lynch-Morrow Gas Pool or Undesignated Quail Ridge-Morrow Gas Pool [Division General Rule 104.C(2)(b)], said location is now considered to be "unorthodox".

If a Morrow gas test at this location is found to be unsuccessful or non-commercial the

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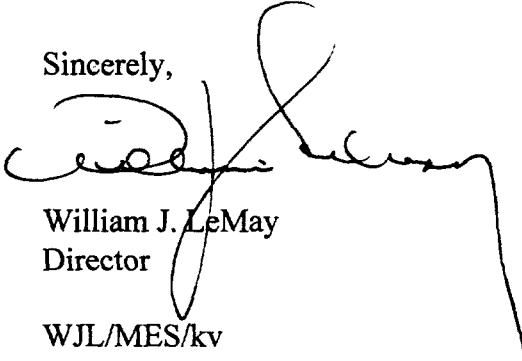
operator intends to plug-back and drill directionally to an alternate subsurface location approximately 1,423 feet to the west-northwest of its surface location.

The subject application has been duly filed under the provisions of **Rule 104.F** of the General Rules and Regulations of the New Mexico Oil Conservation Division.

By the authority granted me under the provisions of Division General Rule 104.F(2), Santa Fe Energy Resources, Inc., is hereby authorized to re-enter the plugged and abandoned Cities Service Oil Company Government "N" Com Well No. 1-Y (API No. 30-025-22564), located 660 feet from the South line and 2084 feet from the West line (Unit N) of Section 19, Township 20 South, Range 34 East, NMPM, Lea County, New Mexico, in order to test the Morrow formation within a standard "stand-up" 320.28-acre gas spacing and proration unit for either the Undesignated West Lynch-Morrow Gas Pool or Undesignated Quail Ridge-Morrow Gas Pool that comprises Lots 1 through 4 and the E/2 W/2 (W/2 equivalent) of said Section 19. Should this Morrow re-entry be deemed non-commercial, Santa Fe is hereby authorized to recomplete said well by kicking-off from vertical at a depth of approximately 10,100 feet and directionally drill in a west-northwesterly direction in such a manner as to bottom back into the Morrow formation at a subsurface location considered to be unorthodox that is within a target area 100 feet in radius of a point that is 1100 feet from the South line and 660 feet from the West line (Lot 4/Unit M) of said Section 19.

The operator shall comply with all provisions of Division General Rule 111 applicable in this matter.

Sincerely,



William J. LeMay
Director

WJL/MES/kv

cc: New Mexico Oil Conservation Division - Hobbs
U. S. Bureau of Land Management - Carlsbad
File: Case No. 11888
Case No. 11296